

**ST. CHARLES PARISH HOSPITAL
SERVICE DISTRICT
Luling, Louisiana**

Audited Financial Statements

July 31, 2012 and 2011



Contents

Independent Auditor's Report	1 - 2
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Basic Financial Statements

Balance Sheets	3 - 4
Statements of Revenues, Expenses and Changes in Net Assets	5
Statements of Cash Flows	6 - 7
Notes to Financial Statements	8 - 32

Independent Auditor's Report on Supplementary Information	33
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Supplementary Information

Schedule of Board of Commissioners and Compensation	34
Schedule of Bonds and Certificates of Indebtedness	35 - 44

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	45 - 46
--	----------------

Schedule of Findings and Responses	47 - 48
------------------------------------	---------

Summary Schedule of Prior Audit Findings and Responses	49 - 50
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Independent Auditor's Report

To the Board of Commissioners
St. Charles Parish Hospital Service District
Luling, Louisiana

We have audited the accompanying balance sheets of St. Charles Parish Hospital Service District (the Hospital), a component unit of the St. Charles Parish Council, as of July 31, 2012 and 2011, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Charles Parish Hospital Service District, as of July 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2013, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

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The McGladrey Alliance is a premier affiliation of independent accounting and consulting firms. The McGladrey Alliance member firms maintain their name, autonomy and independence and are responsible for their own client fee arrangements, delivery of services and maintenance of client relationships.

The Hospital has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financials statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

A handwritten signature in cursive script, appearing to read "LaForte".

A Professional Accounting Corporation

February 26, 2013

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Balance Sheets
July 31, 2012 and 2011

	2012	2011
Assets		
Current assets		
Cash and cash equivalents	\$ 420,740	\$ 140,059
Patient accounts receivable, net of estimated uncollectibles and allowances of \$11,757,487 for 2012 and \$8,397,426 for 2011	5,241,144	4,996,537
Other receivables	384,979	238,766
Estimated third-party settlements	1,252,117	1,197,917
Assets whose use is limited	1,642,212	1,209,855
Inventory	1,257,463	1,130,076
Prepaid expenses	546,032	658,465
Total current assets	10,744,687	9,571,675
Noncurrent cash and investments		
Assets whose use is limited:		
By board for indenture reserves	1,642,212	1,209,855
By indenture agreement for capital acquisition	-	905,780
Total assets whose use is limited	1,642,212	2,115,635
Less: amounts required to meet current obligations	1,642,212	1,209,855
Noncurrent assets whose use is limited	-	905,780
Capital assets, net	30,366,004	29,793,783
Other assets		
Investment in Joint Venture	1,045,440	-
Bond issuance costs, net of amortization	64,946	72,056
Deposits	58,246	16,424
Total other assets	1,168,632	88,480
Total assets	\$ 42,279,323	\$ 40,359,718

The accompanying notes are an integral part of these financial statements.

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Balance Sheets (Continued)
July 31, 2012 and 2011

	2012	2011
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 6,271,125	\$ 3,080,906
Current maturities of long-term debt	2,960,000	6,119,200
Accrued salaries and benefits	1,769,737	1,572,659
Accrued interest payable	762,400	746,630
Accrued self-insurance health claims	130,413	83,177
Cash overdraft	198,130	48,417
Other accrued expenses	47,951	48,789
Total current liabilities	12,139,756	11,699,778
Long-term debt and other liabilities		
Long-term debt	34,425,179	32,521,040
Lease deposits	17,452	17,452
Total long-term debt and other liabilities	34,442,631	32,538,492
Net assets		
Invested in capital assets, and restricted for capital acquisitions, net of related debt	(259,685)	(1,660,677)
Unrestricted	(4,043,379)	(2,217,875)
Total net assets	(4,303,064)	(3,878,552)
Total liabilities and net assets	\$ 42,279,323	\$ 40,359,718

The accompanying notes are an integral part of these financial statements.

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended July 31, 2012 and 2011

	2012	2011
Net patient service revenues	\$ 22,553,679	\$ 21,952,193
Other operating revenues	7,842,382	10,982,826
Total operating revenues	30,396,061	32,935,019
Operating expenses		
Salaries and wages	16,146,615	15,667,802
Supplies and other	10,114,668	10,202,624
Purchased services	2,677,678	3,113,184
Depreciation and amortization	3,036,819	3,154,191
Employee benefits	3,592,827	3,312,738
Total operating expenses	35,568,607	35,450,539
Operating loss	(5,172,546)	(2,515,520)
Nonoperating revenues (expenses)		
Ad Valorem taxes - maintenance	2,640,788	2,512,033
Ad Valorem taxes - debt service	3,333,049	2,419,224
Noncapital grants and contributions	38,284	175,000
Interest income	7,167	13,353
Interest expense	(1,669,023)	(1,800,562)
Gain (loss) on disposal of equipment	397,769	(6,471)
Changes in net assets - services corporation	-	2
Total nonoperating revenues (expenses)	4,748,034	3,312,579
Change in net assets	(424,512)	797,059
Net assets, beginning of year	(3,878,552)	(4,675,611)
Net assets, end of year	\$ (4,303,064)	\$ (3,878,552)

The accompanying notes are an integral part of these financial statements.

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Statements of Cash Flows
For the Years Ended July 31, 2012 and 2011

	2012	2011
Cash flows from operating activities		
Revenue collected	\$ 29,951,041	\$ 32,607,326
Payments to employees and for employee-related costs	(19,495,128)	(19,373,622)
Payments for operating expenses	(9,510,021)	(13,037,891)
Net cash provided by operating activities	945,892	195,813
Cash flows from noncapital financing activities		
Ad Valorem taxes - maintenance	2,640,789	2,512,033
Ad Valorem taxes - debt service	3,333,049	2,419,224
Noncapital grants and contributions	38,284	175,000
Net cash provided by noncapital financing activities	6,012,122	5,106,257
Cash flows from capital and related financing activities		
Proceeds from issuance of limited tax bonds	6,000,000	1,000,000
Principal payments on general obligation bonds	(1,275,000)	(1,190,000)
Principal payments on certificates of indebtedness	(4,300,000)	(2,930,000)
Principal payments on limited tax bonds	(1,495,000)	(165,000)
Principal payments under capital lease obligations	(189,200)	(482,767)
Cash paid for interest on debt obligations	(2,021,741)	(2,333,276)
Proceeds from disposal of capital assets	400,000	-
Purchase of capital assets (property, plant and equipment)	(4,276,980)	(2,174,869)
Net cash used in capital and related financing activities	(7,157,921)	(8,275,912)
Cash flows from investing activities		
Cash received as interest	7,165	13,353
Changes in net assets - services corporation	-	2
Decrease (increase) in assets whose use is limited	473,423	2,884,585
Net cash provided by investing activities	480,588	2,897,940
Net increase (decrease) in cash and cash equivalents	280,681	(75,902)
Cash and cash equivalents, beginning of year	140,059	215,961
Cash and cash equivalents, end of year	\$ 420,740	\$ 140,059

The accompanying notes are an integral part of these financial statements.

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Statements of Cash Flows (Continued)
For the Years Ended July 31, 2012 and 2011

	2012	2011
Reconciliation of loss from operations to net cash used in operating activities		
Operating loss	\$ (5,172,546)	\$ (2,515,520)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation and amortization	3,036,819	3,154,191
Provision for bad debts	7,580,157	9,904,250
Changes in operating assets and liabilities:		
Increase in accounts receivable	(7,824,764)	(9,590,024)
(Decrease) increase in inventory	(127,387)	185,642
Decrease (increase) in prepaid expenses	112,435	(229,171)
Increase in estimated third-party payor settlements	(54,200)	(703,742)
(Increase) decrease in other receivables	(146,213)	61,823
Increase in other assets	(41,822)	(14,074)
Increase in accounts payable	3,190,219	559,968
Increase in accrued salaries and benefits	197,078	226,119
Increase (decrease) in accrued self-insurance health claims	47,236	(619,201)
Increase (decrease) in cash overdraft	149,713	(80,199)
Decrease in other accrued expenses	(833)	(144,249)
Net cash provided by operating activities	\$ 945,892	\$ 195,813
Schedule on noncash investing, capital and financing activities		
Interest cost capitalized on construction in progress	\$ 368,114	\$ 368,114

The accompanying notes are an integral part of these financial statements.

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
For the Years Ended July 31, 2012 and 2011

Notes to Financial Statements

Note 1. Description of Reporting Entity and Summary of Significant Accounting Policies

Reporting Entity

St. Charles Parish Hospital Service District (the Hospital), a special district and component of St. Charles Parish (the Parish), was formed for the purpose of operating St. Charles Parish Hospital, a non-profit community hospital established in 1956. The Board of Commissioners is the governing authority for the Hospital and responsible for obtaining voter approval for the levy of tax or debt issuance, but all related Louisiana State Bond Commission approvals must be obtained through the Parish.

The St. Charles Hospital Continuum of Care Corporation (SCHCCC) was incorporated on August 10, 2006 with a subsequent name change to St. Charles Health Initiatives, Inc. (SCHII). SCHII is a non-profit hospital that principally provides housing, healthcare, and other related services to residents. While legally separate from the Hospital, SCHII is reported as if it were a part of the Hospital because of the presence of a shared governing body. As a component unit of the Hospital, the operations of SCHII are included in the financial statements of the Hospital for the years ended July 31, 2012 and 2011. In preparing these financial statements, all inter-company transactions and balances have been eliminated.

St. Charles Hospital Services Corporation (the Corporation) is a non-profit entity that, while legally separate from the Hospital, is reported as if it were a part of the Hospital because of the presence of a shared governing body with the Hospital. As a component unit of the Hospital, the operations of the Corporation are included in the financial statements of the Hospital; however, the operations of the Corporation became dormant. During the year ended July 31, 2007, the Corporation changed its name to the St. Charles Continuum of Care Corporation after the SCHCCC mentioned above changed its name to St. Charles Health Initiatives, Inc.

Accounting Standards

The financial statements of the Hospital have been prepared in conformity with Accounting Principles Generally Accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Hospital has elected not to apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989. As a governmental entity, the Hospital also follows certain accounting and disclosure requirements promulgated by the GASB.

Enterprise Fund Accounting

The Hospital utilizes the enterprise fund method of accounting whereby revenues and expenses are recognized on the accrual basis. Substantially all revenues and expenses are subject to accrual. SCHII and the Corporation also use the accrual method.

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
For the Years Ended July 31, 2012 and 2011

Notes to Financial Statements

Note 1. Description of Reporting Entity and Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with maturities of three months or less, excluding amounts whose use is limited by board designation, other arrangements under trust agreements, or with third-party payors.

Assets Whose Use is Limited

Assets whose use is limited include assets set aside by the Board of Commissioners for future capital improvements and future indenture agreements, over which the Board retains control and may, at its discretion, subsequently use for other purposes; assets set aside in accordance with agreements with third-party payors; and assets held by trustees under indenture agreements and self-insurance trust agreements.

Inventory

Inventory is valued at the lower of cost or market using the first-in, first-out method.

Capital Assets

Capital assets are carried at cost or, if donated, at fair value at date of donation. Depreciation is computed by the straight-line method over the assets' estimated useful lives, generally ranging from three to forty years.

Net Assets

Net assets represent the difference between assets and liabilities. Net asset classifications are defined as follows:

Net Assets Invested in Capital Assets, Net of Related Debt - Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt excludes unspent debt proceeds.

Restricted Net Assets - Net assets are reported as restricted when there are limitations imposed on their use, either through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets - This component of net assets consists of constraints placed on net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt," as described above.

The Hospital first applies restricted resources when an expenditure is incurred for purposes for which both restricted and unrestricted net assets are available.

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
For the Years Ended July 31, 2012 and 2011

Notes to Financial Statements

Note 1. Description of Reporting Entity and Summary of Significant Accounting Policies
(Continued)

Costs of Borrowing

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets, net of interest earned on these borrowed funds.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Net Patient Service Revenue and Related Receivables

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined. The Hospital provides care to patients even though they may lack adequate insurance or may be covered under contractual arrangements that do not pay full charges. As a result, the Hospital is exposed to certain credit risks. The Hospital manages such risk by regularly reviewing its accounts and contracts, and by providing appropriate allowances.

Patient (or trade) receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a timely basis. Management estimates the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received.

Non-Direct Response Advertising

The Hospital expenses advertising costs as incurred.

Compensated Absences

Employees of the Hospital are entitled to paid time off depending on their length of service and other factors. Accrued compensated absences, included as a component of accrued salaries and benefits on the Hospital's balance sheets, were \$745,023 and \$716,755, as of July 31, 2012 and 2011, respectively.

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
For the Years Ended July 31, 2012 and 2011

Notes to Financial Statements

**Note 1. Description of Reporting Entity and Summary of Significant Accounting Policies
(Continued)**

Grants and Contributions

From time to time, the Hospital receives grants and contributions from individuals or private and public hospitals. Revenues from grants and contributions (including contributions of capital assets) are recognized when all the eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

Government grants are recognized as income when there is reasonable assurance that the Hospital will comply with the conditions attaching to them, and that the grants will be received. This revenue is recorded as either operating revenue or nonoperating revenue dependent upon how the transaction is classified on the statement of cash flows. Cash flows that do not meet the reporting criteria for investing, capital financing or non capital financing would be reported as operating activities, with their associated revenue reported as operating revenue within the statement of revenues, expenses and changes in net assets.

Unamortized Bond Costs

Unamortized bond costs represent the cost of debt issuance and are amortized over the term the related debt is outstanding.

Operating Revenues and Expenses

The Hospital's statement of revenues, expenses and changes in net assets distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services - the Hospital's principal activity. Nonexchange revenues, including taxes and certain grants and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses include all expenses incurred to provide health care services, other than financing costs.

Note 2. Operating Results and Liquidity

As shown in the accompanying financial statements, the Hospital incurred an overall decrease in net assets of \$424,512 during the year ended July 31, 2012, and as of July 31, 2012, the Hospital's current liabilities exceeded its current assets.

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
For the Years Ended July 31, 2012 and 2011

Notes to Financial Statements

Note 2. Operating Results and Liquidity (Continued)

Subsequent to the date of the financial statements, but prior to the date of the independent auditor's report, the Hospital has been in receipt of approximately \$5.3 million of Rural Hospital Grant reimbursements. Disproportionate Share reimbursements have been eliminated due to State of Louisiana budget short falls and replaced by Rural Hospital Grants. As a result of this change, the Rural Hospital Coalition in collaboration with the Jindal Administration was successful in replacing Disproportionate Share reimbursements to rural hospitals. The annual receipt of these funds is expected to continue.

The Hospital received approximately \$2.6 million of ad valorem taxes for maintenance during the fiscal year ending July 31, 2012, which was used to pay down the Taxable Limited Tax Bonds, Series 2008A, 2010 and 2011, in the amount of approximately \$1,495,000 as presented in Note 9. New Taxable Limited Tax Refunding Bonds, Series 2011 were issued in October, 2011. The purpose was to pay off the balance due on the Certificate of Indebtedness, Series 2010. The first of five payments of \$1,140,000 on the Series 2011 bond was paid in January 2012.

During the year ending July 31, 2011, the Hospital met the meaningful use definition to receive the maximum Medicare and Medicaid Electronic Health Record Incentive Payments of \$1,603,571. It is anticipated that the Hospital will continue to meet the future meaningful use definitions.

Actions taken by, and planned by, Hospital management to affect future operations include:

- The Hospital built a new state of the art Emergency Department which opened in May 2012. This enhanced the Hospital's ability to provide more efficient services to the residents of St. Charles Parish which has increased overall use of the facility. Emergency Department daily visits have increased from 34 visits per day to 40 visits per day since the opening of this new facility. (Unaudited)
- The chief financial officer continues to identify and help with management of costs of the Hospital. He has also been assigned the task of identifying areas of potential revenue growth opportunities. (Unaudited)

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
For the Years Ended July 31, 2012 and 2011

Notes to Financial Statements

Note 2. Operating Results and Liquidity (Continued)

- In an effort to increase Hospital revenues, a successful bond issue of \$15,000,000 was approved by the residents of St. Charles Parish in April 2012. The Bond funds will be used to build an Outpatient Medical Center providing space and equipment to offer more comprehensive medical programs to the citizens of St. Charles Parish. In addition, the funds will be used to recruit physicians in the specialties of Cardiology, Digestive Care, Pulmonology, Orthopedics/Sports Medicine and Ophthalmology. The Bonds will also be used to equip the main hospital with state of the art equipment and staff for a Catheterization Lab and to purchase new ambulances to service both the East and West Banks of St. Charles Parish. The bond proceeds will also address the need for more primary care and after-hours care with a new, fully staffed, facility on the East Bank of St. Charles Parish. (Certain elements are unaudited.)
- The Hospital will add an interventional cardiologist to its staff on March 4, 2013, and plans to add a second interventional cardiologist by August 1, 2013. By the end of calendar year 2013 a complete Cardiac Catheterization Lab will be operational. (Unaudited)
- In September 2011, the Hospital entered into a cooperative agreement with Schonberg & Associates of Gulf Coast I, LLC (Schonberg), for the purpose of providing Schonberg's construction and operation of an assisted living facility on property owned by the Hospital. The purpose was accomplished through the formation of a limited liability company, Ashton Plantation Real Property, LLC (the Company), owned by the Hospital and Schonberg. The Hospital contributed land with a carrying value of \$1,045,440 as its capital contribution to the Company in exchange for 9.9% interest in the Company. If the Company is dissolved prior to September 1, 2015, the Company's assets will be liquidated and \$1,000,000 will be returned to the Hospital after payment is made to the creditors of the Company. The assisted living facility was completed and opened in January 2013.
- During the fiscal year ending July 31, 2012, the Hospital continued to make efforts to cut costs including but not limited to reductions of manpower and supply costs throughout the facility. The positive results of these cuts have been presented in trending reports for the first few months of the fiscal year ending July 31, 2013.
- The Cooperative Endeavor Agreement with Ochsner Clinic Foundation (Ochsner) has been extended. Pursuant to this agreement, Ochsner is required to provide, among other things: assistance in the recruitment of new physicians to the Hospital, at Ochsner's expense; access to Ochsner's group purchasing agreements which offer the Hospital superior pricing when compared to its previous arrangements; and provision of administrative support, at Ochsner's expense, for the establishment of staffing levels, coding, billing, etc.

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
For the Years Ended July 31, 2012 and 2011

Notes to Financial Statements

Note 2. Operating Results and Liquidity (Continued)

Management believes that its current cash flow from operations, Tax Revenues, and Rural Hospital Grants together with the enhancements to operations and other actions will allow the Hospital to meet its operational expenses and debt service. However, there are no assurances that such results will be achieved.

Note 3. Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from established rates. Payment arrangements include prospectively determined rates-per-discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in a future period as final settlements are determined.

The primary third-party programs include Medicare and Medicaid, which account for a significant amount of the Hospital's revenue.

A summary of the payment arrangements with major third-party payors follows:

Medicare - The Hospital is paid for inpatient acute care services rendered to Medicare program beneficiaries under prospectively determined rates-per-discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The prospectively determined classification of patients and the appropriateness of the patients' admissions are subject to validation reviews by a Medicare peer review hospital, which is under contract with the Hospital to perform such reviews.

The Hospital is paid for inpatient psychiatric care services rendered to Medicare program beneficiaries under a payment methodology which, during a transitional period, utilizes a blended rate of cost-based and prospective payment methodologies. The cost-based component is subject to cost report settlement.

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
For the Years Ended July 31, 2012 and 2011

Notes to Financial Statements

Note 3. Net Patient Service Revenue (Continued)

Outpatient services were paid via cost reimbursement methodologies, fee schedule limitations, or cost/fee blending methodologies before August 1, 2000. After August 1, 2000, cost based and cost/fee blending reimbursed services are paid at predetermined outpatient rates, subject to certain stop-loss provisions, referred to by Medicare as the transitional corridor. The transitional corridor will limit potential reductions in reimbursement caused by the implementation of the outpatient prospective payment system through 2004. Cost reimbursed outpatient services were paid at a tentative rate, with final settlement determined after submission of annual cost reports by the Hospital and audits performed thereof by the Medicare fiscal intermediary. Outpatient services subject to the outpatient prospective payment system are not subject to cost report settlement with several exceptions, and without regard to the transitional corridor.

The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through July 31, 2009.

Medicaid - Inpatient care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per day. Certain outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through July 31, 2007.

Revenue from the Medicare and Medicaid programs accounted for approximately 25.8 percent and 29.7 percent, respectively, of the Hospital's net patient revenue, for the year ended July 31, 2012. Revenue from the Medicare and Medicaid programs accounted for approximately 21.2 percent and 28.6 percent, respectively, of the Hospital's net patient revenue, for the year ended July 31, 2011.

The laws and regulations under which Medicare and Medicaid programs operated are complex, and subject to interpretation and frequent changes. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Adjustments to estimated settlements resulted in a decrease to net patient service revenue of \$24,593 in 2012. No prior year adjustments in excess of amounts previously estimated were made during the year ended July 31, 2011.

The Hospital has entered into payment agreements with certain commercial insurance carriers, health maintenance Hospitals and preferred provider Hospitals. The basis for payment under these agreements includes prospectively determined rates-per-discharge, discounts from established charges and prospectively determined daily rates.

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
For the Years Ended July 31, 2012 and 2011

Notes to Financial Statements

Note 3. Net Patient Service Revenue (Continued)

A summary of the Hospital's net patient service revenue for the years ended July 31, 2012 and 2011, is as follows:

	2012	2011
Gross patient service revenue	\$ 77,107,926	\$ 66,219,842
Less: contractual adjustments	(44,973,984)	(33,120,750)
Less: provision for bad debts	(7,580,157)	(9,904,250)
Less: free care	(2,000,106)	(1,242,649)
Net patient service revenue	\$ 22,553,679	\$ 21,952,193

Since the Hospital serves a disproportionate share of low-income patients, it qualifies for additional reimbursements. As mentioned in Note 2, the Hospital received a Rural Hospital Grant. The grant funds totaled \$5,264,860. During the year ended July 31, 2011, the Hospital received Medicaid Disproportionate Share reimbursements of \$5,349,088. The funds received in 2012 and 2011 are classified within other operating revenues.

Note 4. Concentrations of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are residents of St. Charles Parish and are insured under third-party payor agreements. The mix of accounts receivable due from patients and third-party payors was as follows as of July 31, 2012 and 2011:

	2012	2011
Medicare	22 %	18 %
Medicaid	16	21
Commercial	19	16
Private pay	43	45
	100 %	100 %

Note 5. Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The Hospital maintains records to identify and monitor the level of charity care it provides to all of its qualifying patients. These records include the amount of charges foregone for services and supplies furnished under its charity care policy.

As presented in Note 3, the Hospital reduced its gross revenues for its cost of free care. For the years ended July 31, 2012 and 2011, free care was \$2,000,106 and \$1,242,649, respectively.

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
For the Years Ended July 31, 2012 and 2011

Notes to Financial Statements

Note 6. Deposits and Investments

The Hospital has various deposits and investments. The amounts reflected on the accompanying balance sheets are as follows:

	2012	2011
Depository and money market accounts	\$ 1,864,822	\$ 2,207,277

Under state law, these deposits must be secured by either Federal deposit insurance or by the pledge of securities owned by a fiscal agent bank. The market value of the pledged securities plus the Federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent bank. At July 31, 2012, the Hospital had \$2,310,817 in deposits (collected bank balances).

Amounts in excess of Federal deposit insurance are secured by collateral held by the fiscal agent bank in the name of the Hospital.

Under Louisiana Revised Statutes 39:1271 and 33:2955, the Hospital may deposit funds in demand deposit accounts, interest-bearing demand deposit accounts, money market accounts, and time certificates of deposit with state banks, organized under Louisiana Law and National Banks having principal offices in Louisiana. Additionally, Louisiana statutes allow the Hospital to invest in direct obligations of the U.S. Government, federally insured instruments, guaranteed investment contracts issued by certain financial institutions, and mutual or trust funds registered with the Securities and Exchange Commission.

Note 7. Assets Whose Use is Limited

Assets whose use is limited that are required for bond obligations classified as current liabilities are reported in current assets. The composition of assets whose use is limited at July 31, 2012 and 2011, is set forth in the following table:

	2012	2011
By indenture agreement for capital asset acquisition		
Cash and cash equivalents	\$ -	\$ 905,780
	-	905,780
By board for indenture reserves		
Cash and cash equivalents	1,642,212	1,209,855
	1,642,212	1,209,855
Total	\$ 1,642,212	\$ 2,115,635

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
For the Years Ended July 31, 2012 and 2011

Notes to Financial Statements

Note 8. Capital Assets

Capital assets activity as of and for the years ended July 31, 2012 and 2011, is as follows:

	Balance July 31, 2011	Additions	Transfers and Disposals	Balance July 31, 2012
Capital assets, not being depreciated:				
Land	\$ 1,862,780	\$ 59,336	\$ (1,045,440)	\$ 876,676
Construction in progress	1,975,729	3,503,104	(99,874)	5,378,959
Total capital assets not being depreciated	3,838,509	3,562,440	(1,145,314)	6,255,635
Capital assets, being depreciated:				
Building and improvements	36,738,248	730,310	-	37,468,558
Equipment	20,320,257	452,586	(1,202,678)	19,570,165
Leasehold improvements	22,110	-	-	22,110
Vehicles	584,751	-	-	584,751
Total capital assets being depreciated	57,665,366	1,182,896	(1,202,678)	57,645,584
Less accumulated depreciation for:				
Buildings and improvements	14,935,525	1,910,630	-	16,846,155
Equipment	16,396,265	1,000,664	(1,200,447)	16,196,482
Leasehold improvements	14,289	3,604	-	17,893
Vehicles	364,013	110,672	-	474,685
Total accumulated depreciation	31,710,092	3,025,570	(1,200,447)	33,535,215
Total capital assets, being depreciated, net	25,955,274	(1,842,674)	(2,231)	24,110,369
Total capital assets, net	\$ 29,793,783	\$ 1,719,766	\$ (1,147,545)	\$ 30,366,004

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
For the Years Ended July 31, 2012 and 2011

Notes to Financial Statements

Note 8. Capital Assets (Continued)

	Balance July 31, 2010	Additions	Transfers and Disposals	Balance July 31, 2011
Capital assets, not being depreciated:				
Land	\$ 1,862,780	\$ -	\$ -	\$ 1,862,780
Construction in progress	674,071	1,743,264	(441,606)	1,975,729
Total capital assets not being depreciated	2,536,851	1,743,264	(441,606)	3,838,509
Capital assets, being depreciated:				
Building and improvements	36,179,992	558,256	-	36,738,248
Equipment	19,657,625	679,969	(17,337)	20,320,257
Leasehold improvements	22,110	-	-	22,110
Vehicles	584,751	-	-	584,751
Total capital assets being depreciated	56,444,478	1,238,225	(17,337)	57,665,366
Less accumulated depreciation for:				
Buildings and improvements	13,091,226	1,844,299	-	14,935,525
Equipment	15,229,762	1,177,369	(10,866)	16,396,265
Leasehold improvements	10,652	3,637	-	14,289
Vehicles	249,473	114,540	-	364,013
Total accumulated depreciation	28,581,113	3,139,845	(10,866)	31,710,092
Total capital assets, being depreciated, net	27,863,365	(1,901,620)	(6,471)	25,955,274
Total capital assets, net	\$ 30,400,216	\$ (158,356)	\$ (448,077)	\$ 29,793,783

Plant and equipment acquisitions are recorded at cost. The Hospital's policy is to record acquisitions over \$500. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed on the straight-line method.

Maintenance, repairs and minor replacements and improvements are expensed as incurred. Major replacements and improvements are capitalized at cost.

Depreciation expense reported in the fiscal year ended July 31, 2012, was \$3,025,070 (exclusive of amortization expense). Depreciation expense reported during the fiscal year ended July 31, 2011, was \$3,139,845 (exclusive of amortization expense).

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
For the Years Ended July 31, 2012 and 2011

Notes to Financial Statements

Note 9. Investment in Joint Venture

As mentioned in Note 2, the Hospital contributed land with a cost of \$1,045,440, in exchange for a 9.9% membership interest in an LLC. At July 31, 2012, this investment is measured at the cost of the land donated. The LLC did not begin operations until January 2013. The Hospital had previously classified this land within its capital assets on its balance sheets.

Note 10. Long-Term Debt and Other Liabilities

The components of long-term debt as of July 31, 2012 and 2011, are as follows:

		2012	2011
Hospital Revenue Bonds, Series 2003A	(A)	\$ 1,650,000	\$ 1,885,000
Hospital Revenue Bonds, Series 2003B	(A)	500,000	570,000
Hospital Revenue Bonds, Series 2004	(B)	3,550,000	3,775,000
Hospital Revenue Bonds, Series 2005	(C)	5,025,000	5,290,000
Hospital Revenue Bonds, Series 2006	(D)	4,020,000	4,205,000
Hospital Revenue Bonds, Series 2007	(E)	5,335,000	5,410,000
Hospital Revenue Bonds, Series 2009	(F)	5,355,000	5,415,000
Hospital Revenue Bonds, Series 2009A	(G)	925,000	950,000
Hospital Revenue Bonds, Series 2009B	(H)	4,625,000	4,760,000
Limited Tax Bonds, Series 2008A	(I)	805,000	980,000
Limited Tax Bonds, Series 2010	(J)	820,000	100,000
Certificate of Indebtedness, Series 2010	(K)	-	4,000,000
Certificate of Indebtedness, Series 2010A	(K)	-	300,000
Capital Lease Obligation - G.E. Capital	(L)	-	189,200
Limited Tax Bond, Series 2011	(M)	4,860,000	-
		37,470,000	38,729,200
Less: Unamortized original issue discount		(84,821)	(88,960)
Less: Current maturities		(2,960,000)	(6,119,200)
Total		\$ 34,425,179	\$ 32,521,040

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
For the Years Ended July 31, 2012 and 2011

Notes to Financial Statements

Note 10. Long-Term Debt and Other Liabilities (Continued)

- (A) The Hospital adopted a resolution on October 16, 2003, issuing \$2,745,000 General Obligation Refunding Bonds, Series 2003A and \$810,000 Taxable General Obligation Refunding Bonds, Series 2003B. These bonds were issued December 1, 2003, for the purpose of refunding and extending the Hospital's Series 1990A General Obligation Bonds, Series 1990B General Obligation Bonds, Series 1992A General Obligation Bonds, Series 1992B General Obligation Bonds (taxable), and to pay the cost of issuance.

Interest on the Series 2003A and Series 2003B bonds is payable semiannually on March 1 and September 1.

The Series 2003A bonds mature according to maturity schedules contained in the bond documents beginning on March 1, 2008, with scheduled maturities ranging from \$205,000 to \$245,000 each year through March 1, 2013. The final \$1,405,000 of Series 2003A bonds are subject to mandatory sinking fund redemptions beginning March 1, 2014, through final maturity of March 1, 2018. Interest rates associated with this Series range from 3.00% to 4.50%.

The Series 2003B bonds mature, according to maturity schedules contained in the bond documents, beginning on March 1, 2008. Scheduled maturities range from \$55,000 to \$70,000 each year through March 1, 2012. The final \$500,000 of Series 2003B bonds are subject to mandatory sinking fund redemptions beginning March 1, 2013, through final maturity at March 1, 2018. Interest rates associated with this Series range from 4.15% to 6.00%.

These bonds are secured by and payable from unlimited Ad Valorem taxes.

- (B) During the fiscal year ended July 31, 2004, the Hospital issued \$5,300,000 of General Obligation Bonds, Series 2004, to be dated March 1, 2004. The purpose of the issue was for purchasing, acquiring, and constructing lands, buildings, machinery, equipment and furnishings, including both real and personal property, to be used in providing hospital facilities. The outstanding principal of the bonds will be repaid in 20 annual installments ranging from \$220,000 to \$550,000 beginning March 1, 2005, with the final installment due March 1, 2024.

Interest on the bonds is payable semiannually on March 1 and September 1 until maturity. The maximum interest rate allowed on the Issue is 5% per annum. The bonds maturing March 1, 2015, and thereafter, are callable by the Hospital in full or in part at any time on or after March 1, 2014, at the principal amount thereof, plus accrued interest to the date fixed for redemption.

These bonds are secured by and payable from unlimited Ad Valorem taxes.

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
For the Years Ended July 31, 2012 and 2011

Notes to Financial Statements

Note 10. Long-Term Debt and Other Liabilities (Continued)

- (C) During the fiscal year ended July 31, 2005, the Hospital issued \$7,500,000 of General Obligation Bonds, Series 2005, to be dated April 1, 2005. The purpose of the issue is the purchasing, acquiring and constructing of lands, buildings, machinery, equipment and furnishings, including both real and personal property, to be used in providing hospital facilities. The outstanding principal of the bonds will be repaid in 20 annual installments ranging from \$225,000 to \$520,000 beginning March 1, 2006, with the final installment due March 1, 2025. Interest is payable semi-annually on March 1 and September 1 at rates ranging from 4.0% to 6.5%.

These bonds are secured by and payable from unlimited Ad Valorem taxes.

- (D) During the year ended July 31, 2006, the Hospital issued \$5,700,000 of General Obligation Bonds, Series 2006, to be dated April 1, 2006. The purpose of the issue is the purchasing, acquiring land and constructing buildings, machinery, equipment and furnishings, including both real and personal property, to be used in providing Hospital facilities. The outstanding principal of the bonds will be repaid in 20 annual installments ranging from \$155,000 to \$400,000 beginning March 1, 2007, with the final installment due March 1, 2026

These bonds are secured by and payable from unlimited Ad Valorem taxes.

- (E) During the year ended July 31, 2007, the Hospital issued \$5,500,000 of General Obligation Bonds, Series 2007, to be dated April 1, 2007. The purpose of the issue is the purchasing, acquiring land and constructing buildings, machinery, equipment and furnishings, including both real and personal property, to be used in providing Hospital facilities. The outstanding principal of the bonds will be repaid in 20 annual installments ranging from \$5,000 to \$500,000 beginning March 1, 2008, with the final installment due March 1 2027. Interest is payable semi-annually on March 1 and September 1 at rates ranging from 4.00% to 6.5%.

These bonds are secured by and payable from unlimited Ad Valorem taxes.

- (F) During the year ended July 31, 2010, the Hospital issued \$5,500,000 of General Obligation Bonds, Series 2009, to be dated August 1, 2009. The purpose of the issue is purchasing, acquiring land and constructing buildings, machinery, equipment and furnishings, including both real and personal property, to be used in providing Hospital facilities. The outstanding principal of the bonds will be repaid in 20 annual installments ranging from \$30,000 to \$975,000 beginning March 1, 2010, with the final installment due March 1, 2029. Interest is payable semi-annually on March 1 and September 1 at rates ranging from 5.875% to 7.00%.

These bonds are secured by and payable from unlimited Ad Valorem taxes.

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
For the Years Ended July 31, 2012 and 2011

Notes to Financial Statements

Note 10. Long-Term Debt and Other Liabilities (Continued)

- (G) During the year ended July 31, 2010, the Hospital issued \$1,000,000 of General Obligation Bonds, Series 2009A, to be dated November 1, 2009. The purpose of the issue is purchasing, acquiring land and constructing buildings, machinery, equipment and furnishings, including both real and personal property, to be used in providing Hospital facilities. The outstanding principal of the bonds will be repaid in 20 annual installments ranging from \$25,000 to \$90,000 beginning March 1, 2010, with the final installment due March 1, 2029. Interest is payable semi-annually on March 1 and September 1 at rates ranging from 3.20% to 5.00%.

These bonds are secured by and payable from unlimited Ad Valorem taxes.

- (H) During the year ended July 31, 2010, the Hospital issued \$5,000,000 of General Obligation Bonds, Series 2009B, to be dated November 1, 2009. The purpose of the issue is the refunding and extending of the Hospital's outstanding Limited Tax Bonds, Series 2008 and to represent said indebtedness. The outstanding principal of the bonds will be repaid in 20 annual installments ranging from \$120,000 to \$460,000 beginning March 1, 2010, with the final installment due March 1, 2029. Interest is payable semi-annually on March 1 and September 1 at rates ranging from 5.25% to 7.00%.

These bonds are secured by and payable from unlimited Ad Valorem taxes.

- (I) On April 23, 2008, the Hospital adopted a resolution issuing \$1,300,000 of Limited Tax Bonds, Series 2008A, payable from the pledge of unlimited Ad Valorem taxes approved by an election held July 19, 2003 and July 15, 2006, for the purpose of paying current expenses of the District for calendar year 2008, including both real and personal property, to be used in providing hospital facilities. These bonds mature in 2016. Interest is payable semi-annually on March 1 and September 1, at a rate of 6.50%.
- (J) On August 25, 2010, the Hospital adopted a resolution issuing \$1,000,000 of Limited Tax Bonds, Series 2010, payable from the pledge of unlimited Ad Valorem taxes approved by an election held July 19, 2003 and July 15, 2006, for the purpose of acquiring and installing an electronic records system, and paying the costs incurred in connection with the issuance of the Bonds. These bonds mature in 2016. Interest is payable semi-annually on March 1 and September 1, at a rate of 5.50%.

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
For the Years Ended July 31, 2012 and 2011

Notes to Financial Statements

Note 10. Long-Term Debt and Other Liabilities (Continued)

- (K) On November 18, 2009, the Hospital adopted a resolution authorizing the issuance of Certificates of Indebtedness, Series 2010 totaling \$7,000,000, for the purposes of paying current expenses of the Hospital. The income and revenues of the Hospital received after the issuance of these Certificates is dedicated and to be set aside for the repayment of these Certificates. Interest rates on the Series will not exceed 6.0%. On January 26, 2011, the Hospital adopted a resolution authorizing the individual certificates authorized and outstanding (2010 and 2010A) to be extended to mature on November 30, 2011, at which time the bonds were paid in full as described in Note 16.
- (L) During the fiscal year ended July 31, 2007, the Hospital entered into a capital lease agreement with an equipment supplier for the purpose of acquiring medical equipment. The lease calls for 60 monthly payments of \$38,563. The lease is collateralized by the equipment.
- (M) On October 27, 2011, the Hospital adopted a resolution issuing \$6,000,000 of Limited Tax Bonds, Series 2011, payable from the pledge of unlimited Ad Valorem taxes approved by an election held July 19, 2003 and July 15, 2006, for the purpose of paying current expenses of the Hospital. These bonds mature in 2016. Interest is payable semi-annually on March 1 and September 1, at a rate of 3.75%.

Long-term debt and other non-current liability activity as of and for the fiscal years ended July 31, 2012 and 2011, is as follows:

	Balance July 31, 2011	Additions	Reductions	Balance July 31, 2012	Due Within One Year
<u>Long-term debt:</u>					
General Obligation Bonds, Series 2003A	\$ 1,885,000	\$ -	\$ (235,000)	\$ 1,650,000	\$ 245,000
General Obligation Bonds, Series 2003B	570,000	-	(70,000)	500,000	70,000
General Obligation Bonds, Series 2004	3,775,000	-	(225,000)	3,550,000	225,000
General Obligation Bonds, Series 2005	5,290,000	-	(265,000)	5,025,000	275,000
General Obligation Bonds, Series 2006	4,205,000	-	(185,000)	4,020,000	195,000
General Obligation Bonds, Series 2007	5,410,000	-	(75,000)	5,335,000	100,000
General Obligation Bonds, Series 2009	5,415,000	-	(60,000)	5,355,000	105,000
General Obligation Bonds, Series 2009A	950,000	-	(25,000)	925,000	30,000
General Obligation Bonds, Series 2009B	4,760,000	-	(135,000)	4,625,000	140,000
Limited Tax Bonds, Series 2008A	980,000	-	(175,000)	805,000	185,000
Limited Tax Bonds, Series 2010	1,000,000	-	(180,000)	820,000	190,000
Certificate of Indebtedness, Series 2010	4,000,000	-	(4,000,000)	-	-
Certificate of Indebtedness, Series 2010A	300,000	-	(300,000)	-	-
Capital Lease Obligation - G.E. Capital	189,200	-	(189,200)	-	-
Limited Tax Bonds, Series 2011	-	6,000,000	(1,140,000)	4,860,000	1,200,000
Total long-term debt	\$ 38,729,200	\$ 6,000,000	\$ (7,259,200)	\$ 37,470,000	\$ 2,960,000

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
For the Years Ended July 31, 2012 and 2011

Notes to Financial Statements

Note 10. Long-Term Debt and Other Liabilities (Continued)

	Balance July 31, 2010	Additions	Reductions	Balance July 31, 2011	Due Within One Year
<u>Long-term debt:</u>					
General Obligation Bonds, Series 2003A	\$ 2,110,000	\$ -	\$ (225,000)	\$ 1,885,000	\$ 235,000
General Obligation Bonds, Series 2003B	635,000	-	(65,000)	570,000	70,000
General Obligation Bonds, Series 2004	4,000,000	-	(225,000)	3,775,000	225,000
General Obligation Bonds, Series 2005	5,540,000	-	(250,000)	5,290,000	265,000
General Obligation Bonds, Series 2006	4,380,000	-	(175,000)	4,205,000	185,000
General Obligation Bonds, Series 2007	5,460,000	-	(50,000)	5,410,000	75,000
General Obligation Bonds, Series 2009	5,470,000	-	(55,000)	5,415,000	60,000
General Obligation Bonds, Series 2009A	975,000	-	(25,000)	950,000	25,000
General Obligation Bonds, Series 2009B	4,880,000	-	(120,000)	4,760,000	135,000
Limited Tax Bonds, Series 2008A	1,145,000	-	(165,000)	980,000	175,000
Limited Tax Bonds, Series 2010	-	1,000,000	-	1,000,000	180,000
Certificate of Indebtedness, Series 2004B	230,000	-	(230,000)	-	-
Certificate of Indebtedness, Series 2010	5,000,000	-	(1,000,000)	4,000,000	4,000,000
Certificate of Indebtedness, Series 2010A	2,000,000	-	(1,700,000)	300,000.00	300,000
Capital Lease Obligation - G.E. Capital	619,609	-	(430,409)	189,200	189,200
Capital Lease Obligation - BellSouth	52,358	-	(52,358)	-	-
Total long-term debt	\$ 42,496,967	\$ 1,000,000	\$ (4,767,767)	\$ 38,729,200	\$ 6,119,200

Scheduled maturities of certificates of indebtedness, general obligation bonds, notes and capital lease obligations as of July 31, 2012, are as follows:

Year Ending July 31,	Principal	Interest
2013	\$ 2,960,000	\$ 3,072,509
2014	3,035,000	3,025,572
2015	3,150,000	2,796,239
2016	3,440,000	2,653,994
2017	1,830,000	1,253,074
2018-2022	9,565,000	5,003,573
2023-2027	10,540,000	2,503,384
2028-2029	2,950,000	279,300
Total	\$ 37,470,000	\$ 20,587,645

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
For the Years Ended July 31, 2012 and 2011

Notes to Financial Statements

Note 11. Pensions

Substantially all employees of the Hospital are members of the Parochial Employees' Retirement System of Louisiana (System), a cost sharing, multiple-employer public employee retirement system, controlled and administered by a separate board of trustees. The System provides retirement and disability benefits, annual costs of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by state statute. The Parochial Employees' Retirement System of Louisiana issues a publicly available financial report that includes financial information and required supplementary information for the System. That report may be obtained by writing to Thomas B. Sims, CFA, Administrative Director, P.O. Box 14619, Baton Rouge, LA 70898-4619, or by calling 225-928-1361.

Contributions to the System include one-fourth of one percent of the taxes shown to be collectible by the tax rolls of each parish, except Orleans and East Baton Rouge Parishes. All eligible employees are required by state statute to contribute 9.50% of their salaries to the System. In accordance with state statutes, the employer contributions are determined by actuarial valuation and are subject to change annually based on the results of the valuation for the prior fiscal year.

In June of 2011, the Hospital adopted a resolution authorizing the termination of the Hospital's participation in the System effective June 30, 2013. The System has estimated the withdrawal liability of the Hospital to be \$4,000,000; however, the Hospital disagrees with this measurement. Upon settling the cost of termination, the Hospital will make a final decision as to its withdrawal. The Hospital plans to obtain an actuary to determine the actual liability prior to termination of the Plan.

Retirement contributions totaled \$1,390,250 and \$1,915,479, for the years ended July 31, 2012 and 2011, respectively.

Note 12. Income Taxes

The Hospital is a governmental unit which has registered as a non-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code, and is exempt from Federal income taxes on related income pursuant to Section 115 (a) of the Code.

Note 13. Commitments

Capital Leases

The Hospital was the lessee of medical equipment under capital leases. The assets associated with these capital leases were recorded at the lower of the present value of the minimum lease payments or fair value of the asset. The assets were amortized over the lower of their related lease terms or their estimated productive lives. Amortization of assets under leases is included in depreciation expense for the years ended July 31, 2012 and 2011.

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
For the Years Ended July 31, 2012 and 2011

Notes to Financial Statements

Note 13. Commitments (Continued)

Operating Leases

The Hospital also leases, on a month-to-month basis, medical and office equipment under operating lease agreements. Lease expense totaled \$655,367 and \$493,357, for the years ended July 31, 2012 and 2011, respectively.

Purchase Agreements

The Hospital entered into a contract with Cardinal Health for the purchase of radiopharmaceuticals. The term of the contract is one year, automatically renewing each year unless terminated in writing to Cardinal Health. The Hospital must purchase 90% of all radiopharmaceutical requirements required for actual use from Cardinal Health.

Employment Contracts

The Hospital has an employment contract with its CEO. The contract term ended March 2011, however, the Board of Commissioners approved to extend this contract under the same terms through December 2011. A new contract was approved in December 2011. The Hospital is contractually obligated to pay this contract at a rate of \$19,600 per month for months January 2012 through March 2016.

During the year ended July 31, 2010, the Hospital entered into a medical directorship contract with its Anesthesiology Medical Director. The term of the contract originally extended through August 31, 2012; however, the Hospital renewed the contract through August, 2013. The Hospital is contractually obligated to pay this contract at a rate of \$5,000 per month.

Management Contracts

During the year ended July 31, 2010, the Hospital renewed the management contract with Efficient Management Company, Inc. with terms through February 2011, to manage the Hospital's psychiatric unit. The Hospital was contractually obligated to pay this company \$20,800 on a monthly basis, from February 2009 through September 2009 and \$16,500 from October 2009 through January 2011. The Hospital did not renew this contract past the termination date of February 2011.

Deferred Compensation Plan

The Hospital offers to its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all Hospital employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) held in trust for the exclusive benefit of the participants and their beneficiaries, and the benefits may not be diverted to any other use.

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
For the Years Ended July 31, 2012 and 2011

Notes to Financial Statements

Note 13. Commitments (Continued)

Deferred Compensation Plan (Continued)

It is the opinion of Hospital management that the Hospital has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

Physician Guarantee Agreement

During the year ended July 31, 2008, the Hospital entered into a separate Physician Recruitment Agreement whereby the Hospital guaranteed that the net practice income of this physician would equal \$175,000 per year, or \$350,000 during the Guarantee period, as defined. At the end of the third agreement year, the physician would repay, on demand, the total assistance together with 8% interest per annum; however, at the physician's request, a promissory note could be executed that would extend the repayment plan to 24 months. To induce the physician to remain in the area served by the Hospital, the Hospital has agreed to forgive and cancel, one thirty-sixth of the total assistance for each full calendar month that the physician remains in practice, after the third agreement year, in her specialty in an office in St. Charles Parish. As of July 31, 2012, the physician remains in practice and the Hospital expects the physician to remain in practice through the end of the forgiveness period.

Luling Rehabilitation Cooperative Endeavor Agreement

In July 2008, the Hospital entered into a cooperative endeavor agreement with Luling Rehabilitation Hospital, Inc. (LR). The agreement states that the Hospital shall provide LR hospital, dietary and other services to the extent they are available. The charge for each service and schedule of payment is described in Exhibit "A" of the agreement.

LR entered into a 5 year lease agreement with the Hospital commencing on August 1, 2008. LR is leasing 14,237 square feet of the Hospital building for the sum of \$218,988 per year, payable in equal monthly installments of \$18,249. The rent payable under the lease shall increase by 1.5% annually at the beginning of each lease year.

Total Renal Care Cooperative Endeavor and Services Agreements

On April 1 2010, the Hospital entered into a 10 year cooperative endeavor lease agreement with Total Renal Care, Inc. (TRC). Under this agreement, TRC is leasing approximately 4,425 square feet of the Hospital building for the sum of \$89,196 per year, payable in equal monthly installments of \$7,433.

The Hospital entered into a 5 year Acute Services Agreement with TRC effective April 1, 2010. The agreement states that the Hospital appoints TRC as its exclusive provider of dialysis and other related services to its patients. The Hospital will pay TRC for these services under the fee schedule described in "Exhibit 7.1" of the agreement. This agreement will be automatically renewed for successive 2 year terms unless terminated.

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
For the Years Ended July 31, 2012 and 2011

Notes to Financial Statements

Note 13. Commitments (Continued)

Total Renal Care Cooperative Endeavor and Services Agreements (Continued)

The Hospital also entered into a one year Stat Laboratory Services Agreement with TRC effective April 1, 2010. The agreement states that the Hospital will provide certain laboratory tests and services necessary for TRC's dialysis patients. TRC will compensate the Hospital for these services under the fee schedule described in "Exhibit B" of the agreement. This agreement was automatically renewed for one year effective April 1, 2012 and 2011, and will be automatically renewed for successive one year terms unless terminated.

Note 14. Contingencies and Risk Management

The Hospital is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Hospital carries commercial insurance for all risks of loss except as noted below.

The Hospital participates in the State of Louisiana Patient Compensation fund (the Fund). The Fund provides malpractice coverage to the Hospital for claims in excess of \$100,000 up to \$500,000. According to current state law, medical malpractice liability (exclusive of future medical care awards) is limited to \$500,000 per occurrence. The management of the Hospital has no reason to believe that the Hospital will be prevented from continuing its participation in the Fund.

Workmen's Compensation

The Hospital participates in the Louisiana Commercial and Trade Association Workmen's Compensation Trust fund. Should the fund's assets not be adequate to cover claims made against it, the Hospital may be assessed its pro rata share of the resulting deficit. It is not practical to estimate the amount of additional assessments, if any, and the costs associated with any such assessments are treated as period expenses at the time they are assessed. The trust fund presumes to be a "grantor trust" and, accordingly, income and expenses are prorated to member hospitals. The Hospital has included these allocations and equity amounts assigned to the Hospital by the trust fund in its financial statements.

Health Insurance

The Hospital has elected to self-insure employee and eligible dependent health claims. The self-insured claims are processed through a plan administrator. The Hospital's self insured plan has stop-loss insurance coverage for claims in excess of \$60,000 per individual per plan year and \$60,000 in the aggregate for claims in excess of the individual stop-loss. The Hospital has recorded a current liability for open claims and claims incurred but not reported.

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
For the Years Ended July 31, 2012 and 2011

Notes to Financial Statements

Note 14. Contingencies and Risk Management (Continued)

Health Insurance (Continued)

The following is a summary of estimated claims liability for the year ended July 31, 2012:

Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Current Year Claim Payments	Balance at Fiscal Year End
\$ 83,177	\$ 2,015,954	\$ 1,968,718	\$ 130,413

The following is a summary of estimated claims liability for the year ended July 31, 2011:

Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Current Year Claim Payments	Balance at Fiscal Year End
\$ 702,378	\$ 1,322,343	\$ 1,941,544	\$ 83,177

Laws and Regulations

The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, and reimbursement for patient services. Government activity has continued with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Corporation is in compliance with fraud and abuse, as well as other applicable government, laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
For the Years Ended July 31, 2012 and 2011

Notes to Financial Statements

Note 14. Contingencies and Risk Management (Continued)

Laws and Regulations (Continued)

To ensure accurate payments to providers, the Tax Relief and Healthcare Act of 2006 mandated the Centers for Medicare & Medicaid Services (CMS) to implement a so-called Recovery Audit Contractor (RAC) program on a permanent and nationwide basis no later than 2010. The program uses RACs to search for potentially improper Medicare payments that may have been made to health care providers that were not detected through existing CMS program integrity efforts, on payments that have occurred at least one year ago but not longer than three years ago. Once a RAC identifies a claim it believes to be improper, it makes a deduction from the provider's Medicare reimbursement in an amount estimated to equal the overpayment.

A five-state pilot program concluded in March 2008, with a nationwide rollout of the RAC effort done in phases beginning in 2009. The experiences during the pilot found far more overpayments than underpayments. The Hospital will deduct from revenue amounts assessed under the RAC audits at the time a notice is received until such time that estimates of net amounts due can be reasonably estimated. RAC assessments against the Hospital are anticipated; however, the outcome of such assessments are unknown and cannot be reasonably estimated.

Electronic Health Records (EHR) Incentive Payments

The American Recovery and Reinvestment Act of 2009 established incentive payments under the Medicare and Medicaid programs for certain professionals and hospitals that adopt and meaningfully use certified EHR technology. These incentive payments are determined based on a formula, including inputs such as charity charges and total discharges. The revenue associated with EHR incentive payments is recognized by the Hospital when management can provide reasonable assurance that the Hospital will be able to demonstrate compliance with the meaningful use objectives for that reporting period and that the incentive payments will be received by the Hospital. Because these incentive payments are based on management's best estimate, the amounts recognized are subject to change. Any changes resulting from a change in estimate would be recognized within operations in the period in which they occur. In addition, these payments and the related attestation of compliance with meaningful use objectives are subject to audit by the federal government or its designee.

For the year ended July 31, 2012, the Hospital recognized \$-0- of revenue related to Medicare and Medicaid incentive payments for EHR. For the year ended July 31, 2011, the Hospital recognized \$1,603,571 of revenue related to Medicare and Medicaid incentive payments for EHR. This amount was recognized in full at the date of attestation and is included within other operating revenues on the statement of revenues, expenses and changes in net assets.

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
For the Years Ended July 31, 2012 and 2011

Notes to Financial Statements

Note 15. Capitalized Interest

For the year ended July 31, 2012, the Hospital incurred \$2,037,136 of interest cost, of which \$368,114 has been capitalized, net of interest income of \$-0-. The remaining \$1,669,023 of interest cost was charged as a nonoperating expense. For the year ended July 31, 2011, the Hospital incurred \$2,168,676 of interest cost, of which \$368,114 has been capitalized, net of interest income of \$-0-. The remaining \$1,800,562 of interest cost was charged as a nonoperating expense.

Note 16. Reclassifications

Certain reclassifications have been made to prior year balances to conform to the current year presentation.

Note 17. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, February 26, 2013, and determined that the following events occurred that required disclosure.

In January 2013 Ashton Manor, an assisted living facility owned 9.9% by the Hospital, was opened for operation.

A consent Judgment of Eviction was filed with the 29th Judicial District Court for the Parish of St. Charles on October 25, 2012 against St. Charles Specialty Rehabilitation Hospital, LLC, formerly Luling Rehabilitation Hospital, Inc. Due to nonpayment of rent and services provided of approximately \$259,640, St. Charles Specialty Rehabilitation Hospital had to vacate the premises. St. Charles Specialty Rehab Hospital has vacated the premises prior to the date of this report.

The Hospital's Rural Hospital Grant was received in October 2012. It was identified by the association that St. Charles Parish Hospital had been overpaid \$280,105 in the prior payment for state fiscal year 2012. This amount was withheld from the current year's payment.

The Hospital issued \$14,000,000 of 2012 Series bonds in August 2012. These bonds were issues as Series A: \$8,000,000 General Obligation Bonds and Series B: \$6,000,000 Taxable General Obligation bonds. The bonds were authorized as part of a \$15,000,000 bond approval in an April 2012 election.

No subsequent events occurring after these dates above have been evaluated for inclusion in these financial statements.



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Independent Auditor's Report on Supplementary Information

To the Board of Commissioners
St. Charles Parish Hospital Service District
Luling, Louisiana

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of bonds and certificates of indebtedness and the schedule of board of commissioners and compensation are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A Professional Accounting Corporation

February 26, 2013

NEW ORLEANS HOUSTON BATON ROUGE COVINGTON

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The McGladrey Alliance is a premier affiliation of independent accounting and consulting firms. The McGladrey Alliance member firms maintain their name, autonomy and independence and are responsible for their own client fee arrangements, delivery of services and maintenance of client relationships.

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Schedule of Board of Commissioners and Compensation
For the Year Ended July 31, 2012

	Number of Meetings Attended	Total Per Diem Paid
John Landry, III	11	\$ 660
Barbara Smith	9	540
Ricky Bosco	11	660
Thomas D. Lorio	12	720
Lavera Portera	10	600
		<u>\$ 3,180</u>

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Schedule of Bonds and Certificates of Indebtedness

	Rate	Interest Payment Date	Interest Payment Amount	Principal Payment Date	Scheduled Principal Payments	Principal Portion of Bonds			
						Authorized	Issued	Retired	Outstanding
Certificate of Indebtedness, Series 2010	6.00%	11/30/2011	-	11/30/2011	-	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>	<u>\$ -</u>
Certificate of Indebtedness, Series 2010A	6.00%	11/30/2011	-	11/30/2011	-	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>	<u>\$ -</u>

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Schedule of Bonds and Certificates of Indebtedness (Continued)

	Rate	Interest Payment Date	Payment Amount	Principal Payment Date	Scheduled Principal Payments	Principal Portion of Bonds			
						Authorized	Issued	Retired	Outstanding
General Obligation Bonds, Series 2003A	3.00% to 4.50%	9/1/2012	36,635			<u>\$ 2,745,000</u>	<u>\$ 2,745,000</u>	<u>\$ 1,095,000</u>	<u>\$ 1,650,000</u>
		3/1/2013	36,635	3/1/2013	245,000				
		9/1/2013	31,613						
		3/1/2014	31,613	3/1/2014	255,000				
		9/1/2014	25,875						
		3/1/2015	25,875	3/1/2015	270,000				
		9/1/2015	19,800						
		3/1/2016	19,800	3/1/2016	280,000				
		9/1/2016	13,500						
		3/1/2017	13,500	3/1/2017	295,000				
		9/1/2017	6,863						
		3/1/2018	6,863	3/1/2018	305,000				
	Rate	Interest Payment Date	Payment Amount	Principal Payment Date	Scheduled Principal Payments	Principal Portion of Bonds			
						Authorized	Issued	Retired	Outstanding
General Obligation Bonds, Series 2003B	4.15% to 6.00%	9/1/2012	15,000			<u>\$ 810,000</u>	<u>\$ 810,000</u>	<u>\$ 310,000</u>	<u>\$ 500,000</u>
		3/1/2013	15,000	3/1/2013	70,000				
		9/1/2013	12,900						
		3/1/2014	12,900	3/1/2014	75,000				
		9/1/2014	10,650						
		3/1/2015	10,650	3/1/2015	80,000				
		9/1/2015	8,250						
		3/1/2016	8,250	3/1/2016	85,000				
		9/1/2016	5,700						
		3/1/2017	5,700	3/1/2017	90,000				
		9/1/2017	3,000						
		3/1/2018	3,000	3/1/2018	100,000				

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Schedule of Bonds and Certificates of Indebtedness (Continued)

	Rate	Interest Payment Date	Payment Amount	Principal Payment Date	Scheduled Principal Payments	Principal Portion of Bonds			
						Authorized	Issued	Retired	Outstanding
General Obligation Bonds, Series 2004	3.40% to 5.0%					<u>\$ 5,300,000</u>	<u>\$ 5,300,000</u>	<u>\$ 1,750,000</u>	<u>\$ 3,550,000</u>
		9/1/2012	75,541						
		3/1/2013	75,541	3/1/2013	225,000				
		9/1/2013	71,181						
		3/1/2014	71,181	3/1/2014	225,000				
		9/1/2014	66,906						
		3/1/2015	66,906	3/1/2015	250,000				
		9/1/2015	62,156						
		3/1/2016	62,156	3/1/2016	250,000				
		9/1/2016	57,156						
		3/1/2017	57,156	3/1/2017	250,000				
		9/1/2017	52,156						
		3/1/2018	52,156	3/1/2018	250,000				
		9/1/2018	47,000						
		3/1/2019	47,000	3/1/2019	275,000				
		9/1/2019	41,156						
		3/1/2020	41,156	3/1/2020	275,000				
		9/1/2020	35,175						
		3/1/2021	35,175	3/1/2021	300,000				
		9/1/2021	28,500						
		3/1/2022	28,500	3/1/2022	300,000				
		9/1/2022	21,750						
		3/1/2023	21,750	3/1/2023	400,000				
		9/1/2023	12,650						
		3/1/2024	12,650	3/1/2024	550,000				

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Schedule of Bonds and Certificates of Indebtedness (Continued)

	Rate	Interest Payment Date	Payment Amount	Principal Payment Date	Scheduled Principal Payments	Principal Portion of Bonds			
						Authorized	Issued	Retired	Outstanding
General Obligation Bonds, Series 2005	4.0% to 6.5%					<u>\$ 7,500,000</u>	<u>\$ 7,500,000</u>	<u>\$ 2,475,000</u>	<u>\$ 5,025,000</u>
		9/1/2012	110,668						
		3/1/2013	110,668	3/1/2013	275,000				
		9/1/2013	103,793						
		3/1/2014	103,793	3/1/2014	290,000				
		9/1/2014	97,268						
		3/1/2015	97,268	3/1/2015	310,000				
		9/1/2015	90,681						
		3/1/2016	90,681	3/1/2016	325,000				
		9/1/2016	84,181						
		3/1/2017	84,181	3/1/2017	340,000				
		9/1/2017	77,211						
		3/1/2018	77,211	3/1/2018	355,000				
		9/1/2018	69,889						
		3/1/2019	69,889	3/1/2019	380,000				
		9/1/2019	61,909						
		3/1/2020	61,909	3/1/2020	400,000				
		9/1/2020	53,309						
		3/1/2021	53,309	3/1/2021	420,000				
		9/1/2021	44,069						
		3/1/2022	44,069	3/1/2022	445,000				
		9/1/2022	34,168						
		3/1/2023	34,168	3/1/2023	470,000				
		9/1/2023	23,475						
		3/1/2024	23,475	3/1/2024	495,000				
		9/1/2024	12,090						
		3/1/2025	12,090	3/1/2025	520,000				

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Schedule of Bonds and Certificates of Indebtedness (Continued)

	Rate	Interest Payment Date	Payment Amount	Principal Payment Date	Scheduled Principal Payments	Principal Portion of Bonds			
						Authorized	Issued	Retired	Outstanding
General Obligation Bonds, Series 2006	4.125% to 6.75%					<u>\$ 5,700,000</u>	<u>\$ 5,700,000</u>	<u>\$ 1,680,000</u>	<u>\$ 4,020,000</u>
		9/1/2012	90,766						
		3/1/2013	90,766	3/1/2013	195,000				
		9/1/2013	85,403						
		3/1/2014	85,403	3/1/2014	205,000				
		9/1/2014	80,278						
		3/1/2015	80,278	3/1/2015	220,000				
		9/1/2015	75,328						
		3/1/2016	75,328	3/1/2016	230,000				
		9/1/2016	70,153						
		3/1/2017	70,153	3/1/2017	245,000				
		9/1/2017	65,100						
		3/1/2018	65,100	3/1/2018	260,000				
		9/1/2018	59,640						
		3/1/2019	59,640	3/1/2019	270,000				
		9/1/2019	53,835						
		3/1/2020	53,835	3/1/2020	290,000				
		9/1/2020	47,600						
		3/1/2021	47,600	3/1/2021	305,000				
		9/1/2021	40,890						
		3/1/2022	40,890	3/1/2022	320,000				
		9/1/2022	33,690						
		3/1/2023	33,690	3/1/2023	340,000				
		9/1/2023	26,040						
		3/1/2024	26,040	3/1/2024	360,000				
		9/1/2024	17,940						
		3/1/2025	17,940	3/1/2025	380,000				
		9/1/2025	9,200						
		3/1/2026	9,200	3/1/2026	400,000				

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Schedule of Bonds and Certificates of Indebtedness (Continued)

	Rate	Interest Payment Date	Payment Amount	Principal Payment Date	Scheduled Principal Payments	Principal Portion of Bonds			
						Authorized	Issued	Retired	Outstanding
General Obligation Bonds, Series 2007	4.00% to 6.50%					<u>\$ 5,500,000</u>	<u>\$ 5,500,000</u>	<u>\$ 165,000</u>	<u>\$ 5,335,000</u>
		9/1/2012	116,918						
		3/1/2013	116,918	3/1/2013	100,000				
		9/1/2013	113,668						
		3/1/2014	113,668	3/1/2014	100,000				
		9/1/2014	110,418						
		3/1/2015	110,418	3/1/2015	100,000				
		9/1/2015	107,168						
		3/1/2016	107,168	3/1/2016	250,000				
		9/1/2016	99,043						
		3/1/2017	99,043	3/1/2017	275,000				
		9/1/2017	93,543						
		3/1/2018	93,543	3/1/2018	275,000				
		9/1/2018	88,043						
		3/1/2019	88,043	3/1/2019	300,000				
		9/1/2019	82,043						
		3/1/2020	82,043	3/1/2020	435,000				
		9/1/2020	73,125						
		3/1/2021	73,125	3/1/2021	500,000				
		9/1/2021	62,875						
		3/1/2022	62,875	3/1/2022	500,000				
		9/1/2022	52,625						
		3/1/2023	52,625	3/1/2023	500,000				
		9/1/2023	42,250						
		3/1/2024	42,250	3/1/2024	500,000				
		9/1/2024	31,750						
		3/1/2025	31,750	3/1/2025	500,000				
		9/1/2025	21,250						
		3/1/2026	21,250	3/1/2026	500,000				
		9/1/2026	10,625						
		3/1/2027	10,625	3/1/2027	500,000				

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Schedule of Bonds and Certificates of Indebtedness (Continued)

	Rate	Interest Payment Date	Payment Amount	Principal Payment Date	Scheduled Principal Payments	Principal Portion of Bonds			
						Authorized	Issued	Retired	Outstanding
General Obligation Bonds, Series 2009	5.875% to 7.00%					<u>\$ 5,500,000</u>	<u>\$ 5,500,000</u>	<u>\$ 145,000</u>	<u>\$ 5,355,000</u>
		9/1/2012	160,878						
		3/1/2013	160,878	3/1/2013	105,000				
		9/1/2013	157,597						
		3/1/2014	157,597	3/1/2014	105,000				
		9/1/2014	154,316						
		3/1/2015	154,316	3/1/2015	105,000				
		9/1/2015	151,034						
		3/1/2016	151,034	3/1/2016	105,000				
		9/1/2016	147,753						
		3/1/2017	147,753	3/1/2017	105,000				
		9/1/2017	144,472						
		3/1/2018	144,472	3/1/2018	145,000				
		9/1/2018	139,941						
		3/1/2019	139,941	3/1/2019	145,000				
		9/1/2019	135,409						
		3/1/2020	135,409	3/1/2020	195,000				
		9/1/2020	129,681						
		3/1/2021	129,681	3/1/2021	195,000				
		9/1/2021	123,953						
		3/1/2022	123,953	3/1/2022	195,000				
		9/1/2022	118,225						
		3/1/2023	118,225	3/1/2023	195,000				
		9/1/2023	112,497						
		3/1/2024	112,497	3/1/2024	240,000				
		9/1/2024	105,447						
		3/1/2025	105,447	3/1/2025	245,000				
		9/1/2025	98,250						
		3/1/2026	98,250	3/1/2026	645,000				
		9/1/2026	78,900						
		3/1/2027	78,900	3/1/2027	740,000				
		9/1/2027	56,700						
		3/1/2028	56,700	3/1/2028	915,000				
		9/1/2028	29,250						
		3/1/2029	29,250	3/1/2029	975,000				

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Schedule of Bonds and Certificates of Indebtedness (Continued)

	Rate	Interest Payment Date	Payment Amount	Principal Payment Date	Scheduled Principal Payments	Principal Portion of Bonds			
						Authorized	Issued	Retired	Outstanding
General Obligation Bonds, Series 2009A	3.20% to 5.00%					<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ 75,000</u>	<u>\$ 925,000</u>
		9/1/2012	20,548						
		3/1/2013	20,548	3/1/2013	30,000				
		9/1/2013	19,918						
		3/1/2014	19,918	3/1/2014	30,000				
		9/1/2014	19,295						
		3/1/2015	19,295	3/1/2015	35,000				
		9/1/2015	18,735						
		3/1/2016	18,735	3/1/2016	35,000				
		9/1/2016	18,131						
		3/1/2017	18,131	3/1/2017	35,000				
		9/1/2017	17,484						
		3/1/2018	17,484	3/1/2018	40,000				
		9/1/2018	16,684						
		3/1/2019	16,684	3/1/2019	45,000				
		9/1/2019	15,761						
		3/1/2020	15,761	3/1/2020	45,000				
		9/1/2020	14,816						
		3/1/2021	14,816	3/1/2021	50,000				
		9/1/2021	13,741						
		3/1/2022	13,741	3/1/2022	55,000				
		9/1/2022	12,545						
		3/1/2023	12,545	3/1/2023	60,000				
		9/1/2023	11,210						
		3/1/2024	11,210	3/1/2024	65,000				
		9/1/2024	9,748						
		3/1/2025	9,748	3/1/2025	70,000				
		9/1/2025	8,138						
		3/1/2026	8,138	3/1/2026	75,000				
		9/1/2026	6,375						
		3/1/2027	6,375	3/1/2027	80,000				
		9/1/2027	4,375						
		3/1/2028	4,375	3/1/2028	85,000				
		9/1/2028	2,250						
		3/1/2029	2,250	3/1/2029	90,000				

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Schedule of Bonds and Certificates of Indebtedness (Continued)

	Rate	Interest Payment Date	Payment Amount	Principal Payment Date	Scheduled Principal Payments	Principal Portion of Bonds			
						Authorized	Issued	Retired	Outstanding
General Obligation Bonds, Series 2009B	5.25% to 7.00%					<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>	<u>\$ 375,000</u>	<u>\$ 4,625,000</u>
		9/1/2012	148,089						
		3/1/2013	148,089	3/1/2013	140,000				
		9/1/2013	144,239						
		3/1/2014	144,239	3/1/2014	155,000				
		9/1/2014	139,976						
		3/1/2015	139,976	3/1/2015	165,000				
		9/1/2015	135,645						
		3/1/2016	135,645	3/1/2016	180,000				
		9/1/2016	130,920						
		3/1/2017	130,920	3/1/2017	195,000				
		9/1/2017	125,801						
		3/1/2018	125,801	3/1/2018	205,000				
		9/1/2018	119,908						
		3/1/2019	119,908	3/1/2019	220,000				
		9/1/2019	113,170						
		3/1/2020	113,170	3/1/2020	240,000				
		9/1/2020	105,970						
		3/1/2021	105,970	3/1/2021	255,000				
		9/1/2021	98,065						
		3/1/2022	98,065	3/1/2022	275,000				
		9/1/2022	89,403						
		3/1/2023	89,403	3/1/2023	295,000				
		9/1/2023	79,815						
		3/1/2024	79,815	3/1/2024	315,000				
		9/1/2024	69,263						
		3/1/2025	69,263	3/1/2025	340,000				
		9/1/2025	57,575						
		3/1/2026	57,575	3/1/2026	365,000				
		9/1/2026	44,800						
		3/1/2027	44,800	3/1/2027	395,000				
		9/1/2027	30,975						
		3/1/2028	30,975	3/1/2028	425,000				
		9/1/2028	16,100						
		3/1/2029	16,100	3/1/2029	460,000				

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Schedule of Bonds and Certificates of Indebtedness (Continued)

	Rate	Interest Payment Date	Payment Amount	Principal Payment Date	Scheduled Principal Payments	Principal Portion of Bonds			
						Authorized	Issued	Retired	Outstanding
Limited Tax Bonds, Series 2008A	6.50%					<u>\$ 1,300,000</u>	<u>\$ 1,300,000</u>	<u>\$ 495,000</u>	<u>\$ 805,000</u>
		9/1/2012	26,163						
		3/1/2013	26,163	3/1/2013	185,000				
		9/1/2013	20,150						
		3/1/2014	20,150	3/1/2014	195,000				
		9/1/2014	13,813						
		3/1/2015	13,813	3/1/2015	205,000				
		9/1/2015	7,150						
		3/1/2016	7,150	3/1/2016	220,000				
Limited Tax Bonds, Series 2010	5.50%					<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ 180,000.00</u>	<u>\$ 820,000</u>
		9/1/2012	22,550						
		3/1/2013	22,550	3/1/2013	190,000				
		9/1/2013	17,325						
		3/1/2014	17,325	3/1/2014	200,000				
		9/1/2014	11,825						
		3/1/2015	11,825	3/1/2015	210,000				
		9/1/2015	6,050						
		3/1/2016	6,050	3/1/2016	220,000				
Limited Tax Bonds, Series 2011	3.75%					<u>\$ 6,000,000</u>	<u>\$ 6,000,000</u>	<u>\$ 1,140,000.00</u>	<u>\$ 4,860,000</u>
		9/1/2012	112,500		-				
		3/1/2013	1,312,500	3/1/2013	1,200,000				
		9/1/2013	90,000		-				
		3/1/2014	1,380,000	3/1/2014	1,200,000				
		9/1/2014	67,500		-				
		3/1/2015	1,267,500	3/1/2015	1,200,000				
		9/1/2015	45,000		-				
		3/1/2016	1,245,000	3/1/2016	1,260,000				
Total interest			<u>\$ 22,313,067</u>				Total principal		<u>\$ 42,495,000</u>
Due within one year			<u>\$ 3,072,509</u>				Due within one year		<u>\$ 2,960,000</u>
Long-term			<u>19,240,558</u>				Long-term		<u>34,510,000</u>
Total			<u>\$ 22,313,067</u>				Total		<u>\$ 37,470,000</u>



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners
St. Charles Parish Hospital Service District
Luling, Louisiana

We have audited the financial statements of St. Charles Parish Hospital Service District (the Hospital), as of and for the year ended July 31, 2012 and have issued our report thereon dated February 26, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the Hospital is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Hospital's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Hospital's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting. See findings 2012-1 and 2012-2. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and results as findings 2012-3 and 2012- 4.

We noted one matter that we reported to management of the Hospital in a separate letter dated February 26, 2013.

The Hospital's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Hospital's responses and, accordingly, we express no opinion on them.

This report is intended for the information of the Board of Commissioners, Management of St. Charles Parish Hospital, and the Legislative Auditor of the State of Louisiana, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana revised Statute 24:513, this report is distributed by the Legislative Auditor of the State of Louisiana as a public document.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

February 26, 2013

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Schedule of Findings and Responses
For the Year Ended July 31, 2012

A. FINDINGS FINANCIAL STATEMENT AUDIT - 2012 FISCAL YEAR END

2012-01 - Patient Receivable and Credit Balances

Observation: Credit balances are being caused by situations where payments are made by both a primary and secondary payor. Management has begun addressing this issue, handling newer claims first. There still remains a population of older balances that Management has not yet addressed.

Recommendation: We recommend that Management continue its practice in handling more current claims while considering how to best use its resources in clearing older balances.

Management Response and Corrective Action: Management will continue to address claims as they arise, while evaluating its resources and the effort and/or policy on handling older claims.

2012-02 Month-end close-out process

Observation: We observed that Management is not utilizing a fixed date for the completion of its month end closing process. We also noted that Management has not formalized policies for who, on their staff, is to prepare designated account reconciliations, the process for reviewing those reconciliations, and the overall review of the financial statements and other significant financial reports.

Recommendation: Management should adopt a written policy on the financial closing process, including who is to prepare respective account reconciliations, who reviews and approves those reconciliations, who reviews the financial statements and other significant reports, and establish a fixed date on which the financial statements and their supporting reconciliations are to be completed.

Management Response and Corrective Action: While Management is preparing reconciliations monthly in support of the financial statements that are presented monthly before its Board, it agrees that a written policy is not in place. It also acknowledges that completion of all elements of financial reporting are not completed on a fixed date, for example by the 10th of each month. Management will begin drafting this policy so that it is in force prior to the 2013 audit.

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Schedule of Findings and Responses
For the Year Ended July 31, 2012

2012-03 Repeat Finding - Compliance with Public Bid Law

Observation: During the year ended July 31, 2011, we noted an instance in which the Hospital did not comply with the provisions of the public bid law, LSA-RS Title 38:2211, and the regulations of the Division of Administration State Purchasing office. The Hospital did not have sufficient controls in place to ensure that all public works projects with a value of \$150,000 or more were procured in accordance with the public bid law.

Recommendation: Management should identify all requirements related to procurements under the Public Bid Law and establish a written policy manual that incorporates the State requirements. This policy should address how the Hospital will ensure the implementation of adequate controls to comply with the applicable State requirements, as well as delineate procedures for documentation of contract files including the significant procurement history such as: (1) the advertising and bidding information, (2) contractor selection or rejection, and (3) a written confirmation of the accepted offer.

Management Response and Corrective Action: Management has reiterated the importance of compliance amongst its staff. The observation mentioned above is isolated to one event, where it was not anticipated that the total cost would exceed \$150,000; however, as the public works project was initiated the project expanded and the relevance of the public bid requirements was not detected. Management will continue to educate its staff on the requirements and will review for compliance.

2012-04 Repeat Finding - Compliance with LRS 24:513

Observation: Per Louisiana Revised Statute 24:513, public entities are required to submit their audited financial statements to the Legislative Auditor of Louisiana within six months of the close of the entity's fiscal year. The Hospital was unable to comply with the statute for the fiscal year ended July 31, 2012.

Recommendation: We recommend that the Hospital undertake measures to allow completion and submission of the audited financial statements within the required reporting deadline.

Management Response and Corrective Action: During the fiscal year, Management lost two of its four staff members within its accounting department. The loss of these individuals proved to be challenging in meeting the daily demands of the Hospital's accounting, while trying to meet the requests of the audit team. The effect of Hurricane Isaac also impacted the effort that the accounting staff was able to dedicate to the audit process. These positions have been staffed back to full capacity. Management will rely on its complete team to facilitate timely completion of the 2013 audit. Management also agrees that implementing audit procedures during an interim period, prior to year-end, could expedite the overall audit process.

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Summary Schedule of Prior Audit Findings and Responses
For the Year Ended July 31, 2011

B. FINDINGS FINANCIAL STATEMENT AUDIT - 2011 FISCAL YEAR END

2011-01 Patient Receivable and Credit Balances

Observation: Our audit process has revealed that there has been a notable increase in the number and amount of credit balances on patient accounts and the patient credit amounts are not being monitored and resolved in a timely manner. Also, credit balances are still being caused by situations where payments are made by both a primary and secondary payor, with multiple contractual adjustments posted as a result.

Recommendation: We recommend that Management consider enhancing its current process for analyzing credit balances and resolving these credit balances in a more timely fashion. Specific identification of the cause(s) should be pursued and corrected so as to minimize any financial or compliance risks that may be associated with the cause(s).

Status: Unresolved.

2011-02 Documentation of Purchases with Hospital Credit Cards

Observation: During our testing of credit card expenditures it was noted that the Hospital did not maintain adequate documentation on all purchases made on the Hospital's credit card during the year to support the nature of the transactions. Certain credit card transactions only had the credit card statement as documentation of the purchase. It was also noted that some meal expenses were charged to incorrect general ledger accounts.

Recommendation: We recommend that Management consider implementing a written credit card policy that addresses the implementation of the controls related to credit card expenses that ensure proper approval of transactions, filing and retention of supporting documentation, and adherence to policy. Receipts and other documentation for all credit card purchases should be submitted and matched to the monthly statement prior to its approval for payment. Documentation required to be maintained for business related meals should include an itemized receipt, names of attendees, and a written statement of the business purpose of the expense. Obtaining proper and detailed supporting documentation will assist in ensuring that expenses are properly coded to the general ledger according to the nature of the transactions.

Status: There is still no written credit card policy on file, but with the credit card transactions testing during the audit we noted documentation was maintained.

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Summary Schedule of Prior Audit Findings and Responses
For the Year Ended July 31, 2011

2011-03 Compliance with Public Bid Law

Observation: During the year ended July 31, 2011, we noted several instances in which the Hospital did not comply with the provisions of the public bid law, LSA-RS Title 38:2211, and the regulations of the Division of Administration State Purchasing office. The Hospital did not have sufficient controls in place to ensure that all public works projects with a value of \$150,000 or more, and all contracts for purchases of material and supplies with a value of \$30,000 or more, were procured in accordance with the public bid law.

Recommendation: Management should identify all requirements related to procurements under the Public Bid Law and establish a written policy manual that incorporates the State requirements. This policy should address how the Hospital will ensure the implementation of adequate controls to comply with the applicable State requirements, as well as delineate procedures for documentation of contract files including the significant procurement history such as: (1) the advertising and bidding information, (2) contractor selection or rejection, and (3) a written confirmation of the accepted offer.

Status: Unresolved

2011-04 Compliance with LRS 24:513

Observation: Per Louisiana Revised Statute 24:513, public entities are required to submit their audited financial statements to the Legislative Auditor of Louisiana within six months of the close of the entity's fiscal year. The Hospital was unable to comply with the statute for the fiscal year ended July 31, 2011.

Recommendation: We recommend that the Hospital undertake measures to allow completion and submission of the audited financial statements within the required reporting deadline.

Status: Unresolved. The July 31, 2012 audit report was not filed within the deadline.



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February 26, 2013

To the Board of Commissioners
St. Charles Parish Hospital Service District
P.O. Box 87
Luling, LA 70070-0087

Dear Commissioners:

In planning and performing our audit of the financial statements of St. Charles Parish Hospital Service District (the Hospital) as of and for the year ended July 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Hospital's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

During our audit we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding that matter. This letter does not affect our report dated February 26, 2013 on the financial statements of St. Charles Parish Hospital Servicer District.

We will review the status of this comment during our next audit engagement. We have already discussed these comments and suggestions with various Hospital personnel, and will be pleased to discuss them in further detail at your convenience, to perform any additional study on these matters, or to assist you in implementing the recommendations.

Sincerely,

A Professional Accounting Corporation

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CURRENT YEAR RECOMMENDATIONS AND OBSERVATIONS

Included below is our comment and suggestion in connection with our audit of the financial statements of the Hospital for the year ended July 31, 2012. This item is offered as a constructive suggestion to be considered as part of the ongoing process of modifying and improving the Hospital's practices and procedures.

ENCRYPTION OF EMAILS WITH PATIENT INFORMATION

Observation: It was noted that the organization has not identified a consistent method for encrypting email that contain confidential or sensitive information, including ePHI (electronic personal health information).

Recommendation: The organization should continue to educate users on a routine basis that any email sent outside the organization should be encrypted if the stated email contains any sensitive or confidential information which includes ePHI. The organization should evaluate software that is available for purchase as financially and operationally feasible to protect any email that contains ePHI that is sent outside the organization. HHS Breach notification rule states covered entities and business associates must provide notification of breaches of unsecured protected health information. PHI is considered unsecured if it is not encrypted or destroyed.

Management Response: Management is extremely sensitive to the need to protect portable health information. Education will be provided to all users, and will be incorporated into the employees orientation program. Lastly, efforts will be made to research viable and affordable options for adding software that heightens the security over PHI.